

City of Garland

2017 Capital Improvement Program

Preview – Council Work Session

January 17, 2017



Capital Improvement Program

Criteria and Structure

- ❑ **Five-year financial plan for capital assets:** Including public works infrastructure, utility infrastructure, municipal facilities, and large or specialized equipment purchases.
- ❑ **To qualify for the CIP, an item must meet the policy criteria:** (1) It is a capital asset, (2) it has a useful life of at least five years, and (3) it exceeds \$25,000 (in practice, \$50,000 typically used).
- ❑ **The CIP includes the following:** (1) planned projects for five years, (2) expected costs, (3) method of financing, and (4) estimated utility and tax rate impacts.
- ❑ **The Capital Budget is the first year of the CIP:** Appropriates funding for the upcoming year.
- ❑ **CIP projects often span multiple years:** Approving a project in Year 1 may, in effect, create an obligation to issue additional debt in Year 2 to complete the project.
- ❑ **The CIP must be viewed from a multi-year perspective.**

Capital Improvement Program

Component Units

Tax-Supported	Utilities	Internal Services
1997 Bond Program	Electric	Fleet Services
2004 Bond Program	Water, Wastewater	Information Technology
Large Capital Items – GF	Solid Waste Collection	
	Stormwater	
<u>Financed with:</u>	<u>Financed with:</u>	<u>Financed with:</u>
Com. Paper (CP)/GO Bonds	CP/Revenue Bonds	Certificates of Obligation
Certificates of Obligation	Certificates of Obligation	
<u>Debt Repaid by:</u>	<u>Debt Repaid by:</u>	<u>Debt Repaid by:</u>
Debt Service Tax Rate	Utility Rates	Charges to Other Funds



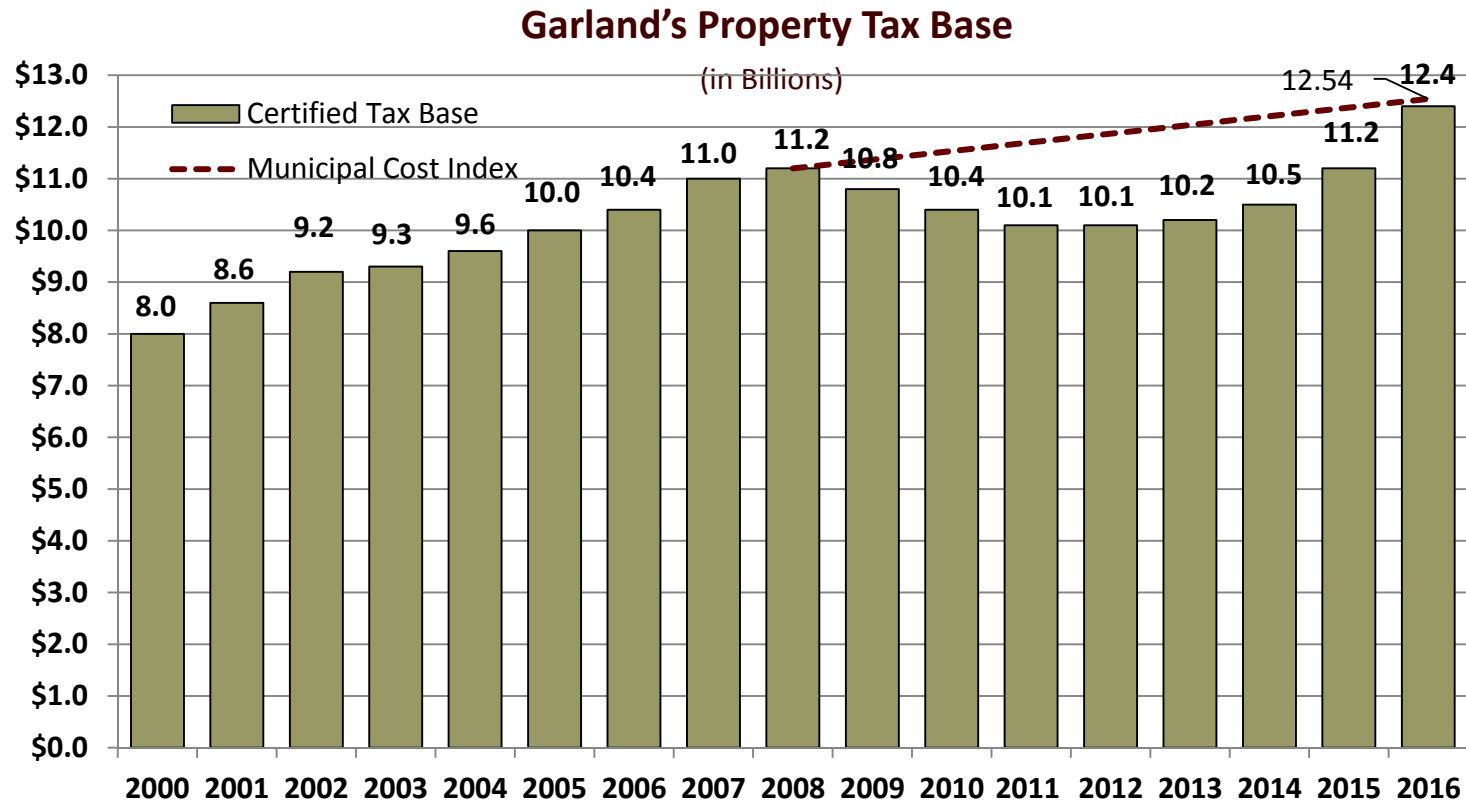
Capital Improvement Program

Factors Impacting Funding Capacity – Tax-Supported Program

- (1) **Tax Base** – As property values grow, each cent on the Debt Service Tax Rate generates more funding. If values decline, less funding is available.
- (2) **Existing Debt Service** – As previously issued debt is paid off, it creates capacity for new debt to be funded without an increase in the tax rate.
- (3) **Interest Rates** – Declines in interest rates reduce the cost to borrow and create refinancing opportunities on existing debt. This increases capacity for more projects.
- (4) **Tax Rates** – Increases are needed when growth in the tax base and declines in existing Debt Service do not create enough capacity to fund new programs.

Capital Improvement Program

Factors Impacting Funding Capacity – Tax Base

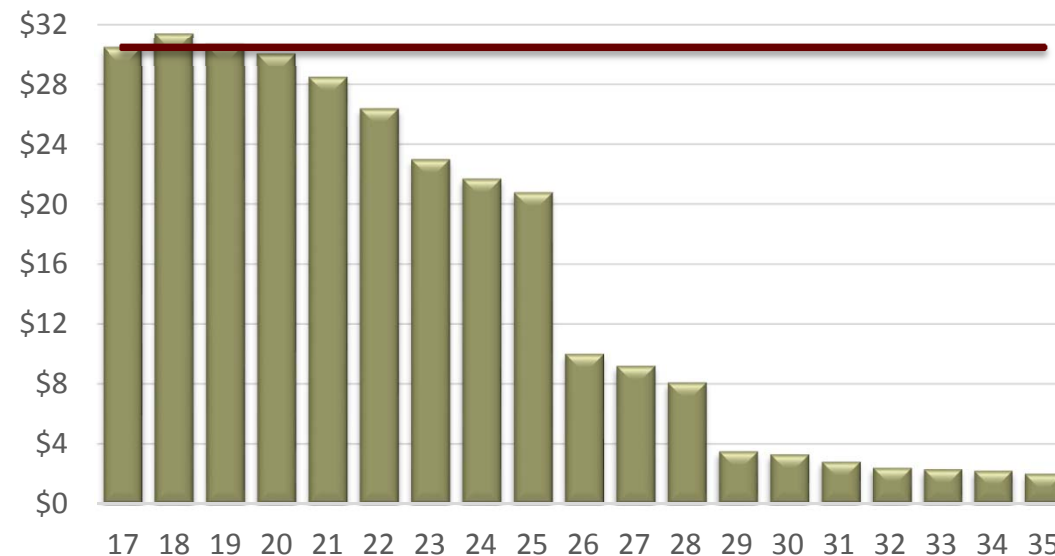


- (1) Growth in tax base is the most significant influence in determining the CIP's capacity.
(Example: \$620 million growth (5%) = \$1.9 million in additional Debt Service tax revenue – Funds \$19 million in new debt)

Capital Improvement Program

Factors Impacting Funding Capacity – Existing Long-Term Debt Service

Existing Long-Term Tax-Supported Debt as of December 2016

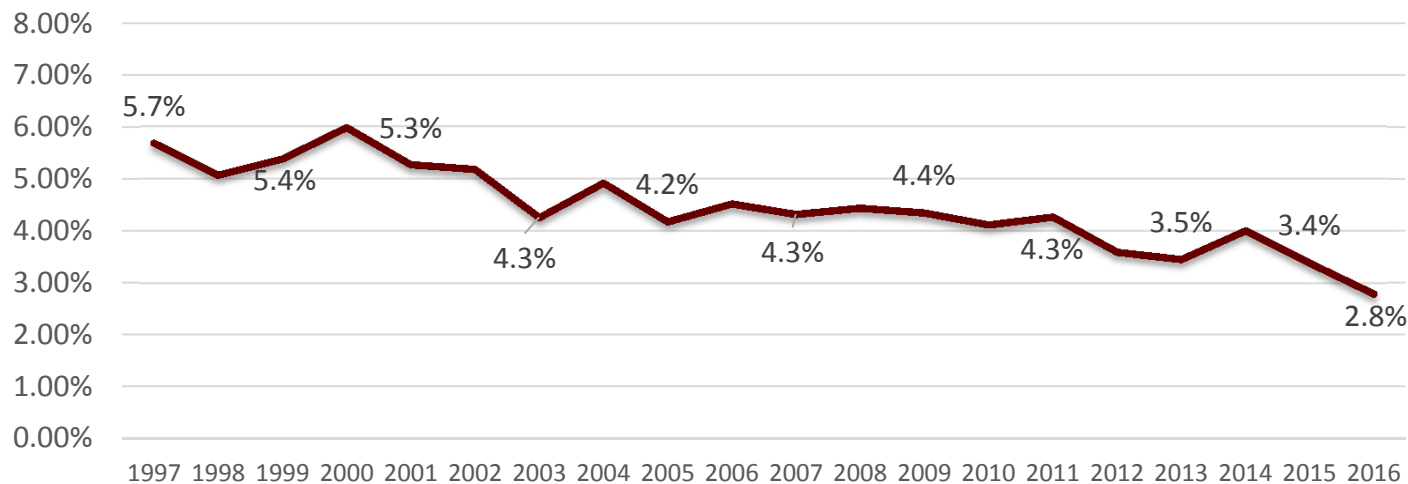


- (1) **Existing Debt Service payments steadily decline as the debt is amortized** – Approximately 67% of existing Debt Service will be paid within the next 9 years.

Capital Improvement Program

Factors Impacting Funding Capacity – Interest Rates

Interest Rates on Tax-Exempt 20-Year Debt
By Issue Year



* Data based on Bond Buyer Index which represents average rates for a municipal bond equivalent to an S&P AA+.

- (1) Interest rates for tax-exempt debt in 2016 were half what they were in 1997.
- (2) Reduces annual Debt Service payments for new debt issues.
(For Example: Annual Debt Service on \$1.0 million in 1997 totals \$85,100 per year vs. in 2016 which totals \$66,000.)
- (3) Creates refinancing opportunities for existing debt.
(For Example: 2007 GO Bond Series was refunded in 2016, saving approximately \$4.4 million Debt Service between 2017 and 2027.)

Capital Improvement Program

Factors Impacting Funding Capacity – Debt Service Tax Rates

❑ Bond Program Projected Tax Rate Impact:

<u>Bond Programs Approved</u>	<u>Amount Voted</u>	<u>Tax Rate Impact</u>	<u>Notes</u>
1997	\$126.1	4.14	Number of implementation years unknown
2004	223.8	11.50	Based on 7-year implementation
Total	\$349.9	15.64	

❑ Actual Debt Service Tax Rate Increases:

- (1) Total Debt Service Tax Rate increases held to **5.6 cents** for both Bond Programs and Tax-Supported CO Issues.
- (2) Changed to **no tax rate increase** with onset of recession. Tax rate unchanged since 2009.
- (3) **Increase avoided primarily by extending implementation.**



Capital Improvement Program

Summary of Key Factors Impacting the Tax-Supported CIP

- (1) **Tax Base** – Recovery from recession provides additional funding capacity.
- (2) **Existing Debt Service** – Declining Debt Service provides additional funding capacity.
- (3) **Interest Rates** – Substantial declines in interest rates provided refinancing opportunities. Those savings created capacity to fund more projects.
- (4) **Tax Rates** – Beginning with the onset of the recession, tax rates were not increased to fund the 1997 and 2004 Bond Programs. As a result, the programs were extended.



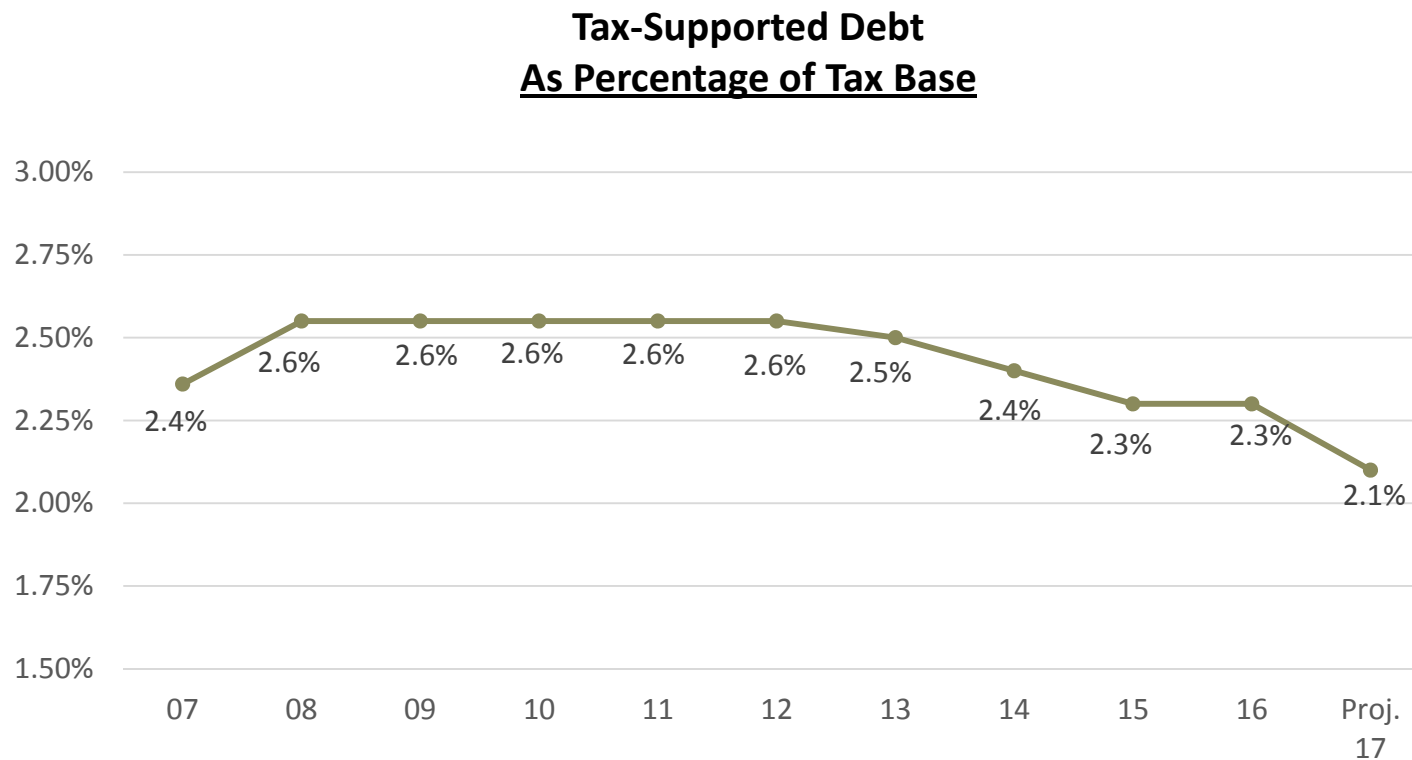
Capital Improvement Program

Key Assumptions and Factors for 2017

- ❑ **Tax Base Assumptions** – Five-year plan is based on an average increase of 3.3% a year.
- ❑ **Interest Rate Assumptions** – Rates gradually increasing by 35 basis points per year
 - Examples: 20-year debt – 3.94% in 2017 to 5.69% in 2022
 - 10-year debt – 2.96% in 2017 to 4.71% in 2022
- ❑ **Requirements for Project Continuations** – \$17.2 million in new City funding for previously approved projects in 2017.
 - Continuation of Street Reconstruction Program - \$3.7 million
- ❑ **Large 2004 Bond Projects in 5-Year Plan** – Several Street and Drainage projects approved in the 2004 Bond Program are currently in design and expected to require approximately \$20.7 million in new funding over the next 3 years.
 - Oates Road – Broadway to Rosehill
 - Bobtown Road – Rowlett to Waterhouse
 - Brand Road – S.H. 190 to Muirfield
 - Shiloh Road – I.H. 635 to Kingsley
 - Parkmont Drive Drainage Improvements

Tax-Supported Debt

As Percentage of Tax Base



Notes:

- 1) Council Policy restricts debt to no more than 5% of tax base.
- 2) Projected Outstanding Debt at the end of FY 2016-17 is \$253.4 million.
- 3) Projected Tax Base is 12.9 billion and assumes 5% increase from current levels.



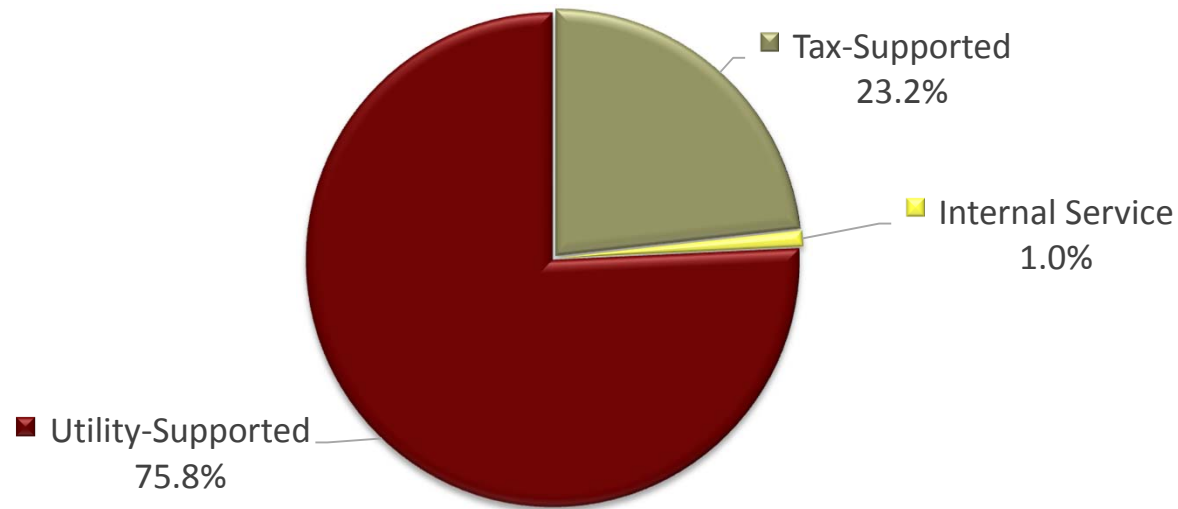
2017 Proposed CIP

PRIMARY GOAL OF 2017 CIP

- A. Make Progress Toward Completing the 2004 Bond Program***
- B. Increase Total Street Refurbishment Funding to \$20 Million with Minimal Debt Issuance***

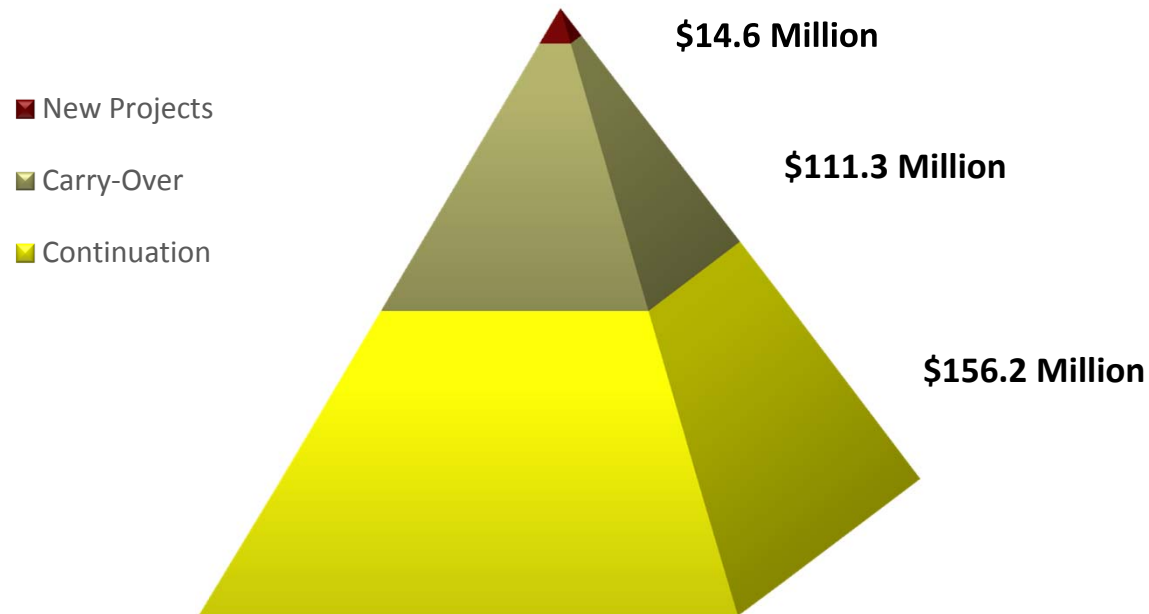
2017 Proposed Capital Program (In Millions)

Tax-Supported Projects	\$ 65.3	23.2%
Internal Service Projects	2.9	1.0%
Utility-Supported Projects	213.9	75.8%
Total 2017 CIP	\$282.1	100.0%



**Increase of \$20.5 Million (7.8%) from
Total 2016 Adopted CIP**

Composition of 2017 Proposed CIP



Tax-Supported (ONLY)	Amount	Percent
New Projects	\$ 7.2 million	11.0%
Continuation	17.1 million	26.3%
Carry-Over (Existing Funds)	41.0 million	62.7%
Total	\$65.3 million	100.0%

Notes:

New Project Funding – New Projects

Continuation Funding – New Funding for Existing Projects

Carry-Over Funding – Funding Approved in Prior Years for Existing Projects

New Debt Issuance Required

New Tax-Supported	
General Obligation – Commercial Paper	\$ 3,504,000
Certificates of Obligation	16,402,000
Total Tax-Supported Debt	\$ 19,906,000
Internal Service and Utility-Supported	
Revenue Bonds – Commercial Paper	\$128,539,000
Certificates of Obligation	4,452,000
Total Revenue-Supported Debt	\$132,991,000
New Debt Issuance Required	\$152,897,000

Note:

- (1) An additional \$11.1 million in Tax-Supported and \$64 million in Utility-Supported CP issuance is anticipated in 2017 from amounts approved in prior year CIPs.

Tax-Supported Program Areas

	<u>Program Areas</u>	<u>Budget</u>	<u>Percent</u>
(1)	Street/Transportation	\$27,658,000	42.3%
(2)	Facilities and Equipment	7,292,000	11.2%
(3)	Park	6,707,000	10.3%
(4)	Drainage	5,757,000	8.8%
(5)	Economic Development	5,741,000	8.8%
(6)	Library	5,594,000	8.6%
(7)	Public Safety	3,725,000	5.7%
(8)	Landfill/Transfer Station	2,846,000	4.3%
	Total Tax-Supported	\$65,320,000	100.0%

Note:

(1) 2016 Adopted CIP Tax-Supported – \$92.4 Million.

Tax-Supported Program

Voter-Approved Bond Projects

<u>Bond Programs</u>	<u>2017 CIP Includes</u>	<u>Projected Complete</u> ⁽¹⁾
1991 Bond Program	\$ 19,000	100.0%
1997 Bond Program	2,081,000	98.9%
2004 Bond Program	12,589,000	55.5%
Total Bond Projects	\$14,689,000	

Note:

(1) Percentage complete based on end of 2017 – assuming no project delay or slippage.

Largest 10 Tax-Supported Projects

Ranked by 2017 Budgeted Expenditures

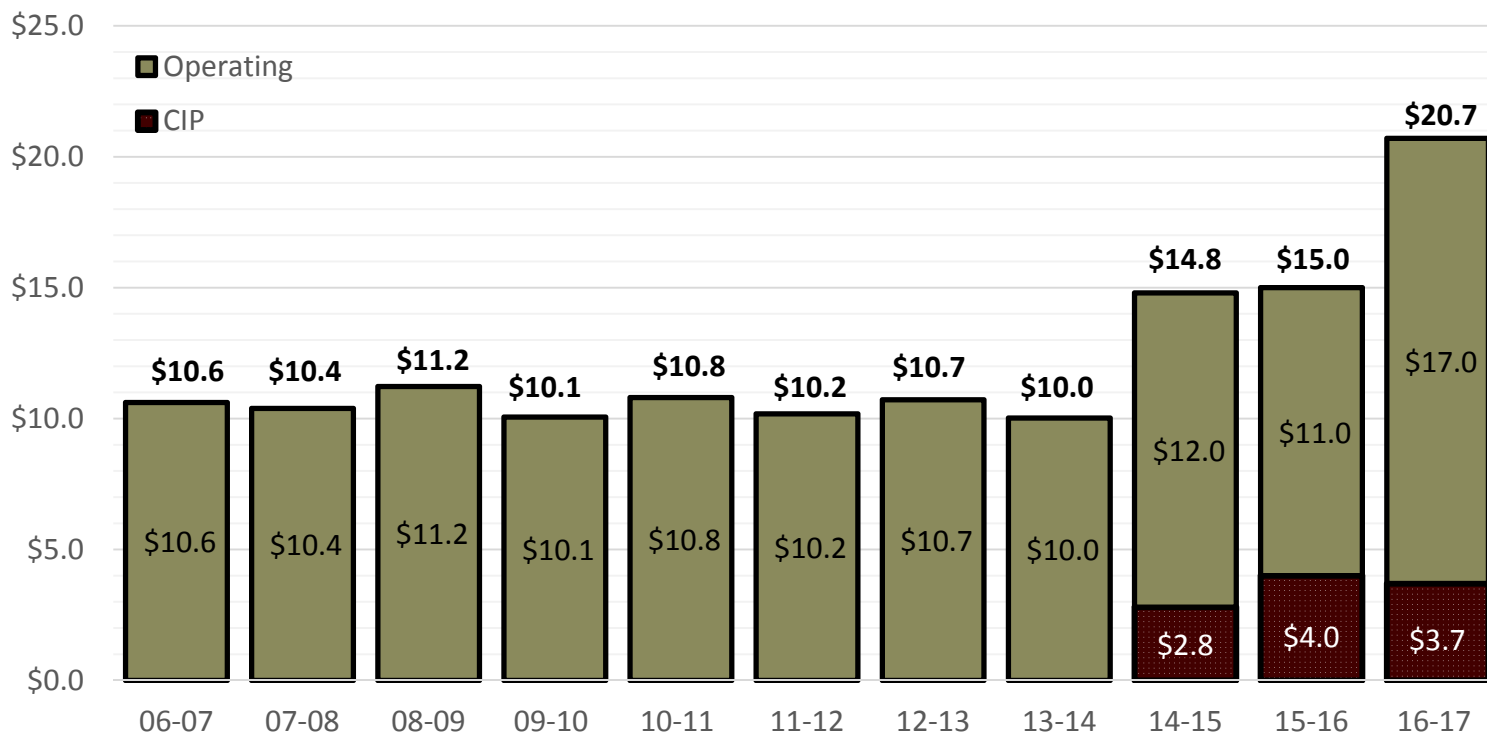
	<u>Project Description</u>	<u>Cost</u>
(1)	Construction on Pleasant Valley Road Bridge (RTR/County Participation)	\$10,100,000
(2)	Continue Street Reconstruction and Improvements Program	5,028,000
(3)	Renovation & Safety Upgrades at Carver Center	2,969,000
(4)	Drainage Improvements Near Parkmont Drive	2,560,000
(5)	Continuation of Bridge Remediation	2,400,000
(6)	Installation of the Library RFID Inventory and Asset Management	2,381,000
(7)	Shiloh Road - I.H. 635 to Kingsley (Dallas County Participation)	2,010,000
(8)	Begin Construction of Central Library Life and Safety Upgrades	1,959,000
(9)	Replacement of Fire Apparatus	1,900,000
(10)	Continuation of Walnut Street Pedestrian Corridor	1,665,000
	Total Top 10 Projects	\$32,972,000

Notes:

- (1) Top 10 represent budgeted expenditures, not debt issuance.
- (2) Top 10 equal 50.5% of Total Proposed 2017 CIP.

Street Funding

Ten-Year History of Total Street Funding (in Millions)



Notes:

- (1) Approximately \$5.0 million added to Street Funding beginning in 2015 due to declining PCIs.
- (2) An additional \$5.0 million provided in FY 16-17 Operating Budget on top of scheduled increases.

Utility and Internal Service Program Areas

	<u>Program Areas</u>	<u>Budget</u>	<u>Percent</u>
(1)	Electric Utility	\$145,057,000	66.9%
(2)	Wastewater Utility	45,731,000	21.1%
(3)	Water Utility	18,923,000	8.7%
(4)	Environmental Waste Services	3,705,000	1.7%
(5)	Fleet Services	1,828,000	0.9%
(6)	Information Technology	1,053,000	0.5%
(7)	Stormwater Management Utility	525,000	0.2%
	Total Utility and Internal Service	\$216,822,000	100.0%

Notes:

- (1) 2016 Adopted CIP for Utility and Internal Service – \$169.2 Million.
- (2) Electric proposed increase of \$56 million primarily due to Limestone to Gibbons Creek Transmission Line.

Utility Rate Projected Impacts

	2017-18 Projected Rate Impacted	Projected Increase
(1)	Water – Residential Rate (Total Water Rate Increase Projected – 6% or \$3.30 per month based on 8,000-gallon usage)	1% or \$.55 per month
(2)	Wastewater – Residential Rate (Total Wastewater Rate Increase Projected – 2% or \$1.00 per month based on 8,000 gallons)	0.25% or \$0.13 per month
(3)	Trash Collection – Residential Rates	None
(4)	Electric Utility – Rates	None
(5)	Stormwater Management – Residential Rates	None



2017 CIP Review Calendar

Jan. 17 th	Tuesday, 7:00 p.m. Council Meeting	City Manager Presentation of 1017 Proposed CIP
Jan. 28 th	Saturday, 9:00 a.m. Special Work Session	Staff Presentations Council Deliberations
Feb. 6 th	Monday, 6:00 p.m. Regular Work Session	Council Deliberations
Feb. 7 th	Tuesday, 7:00 p.m. Council Meeting	Public Hearing
Feb. 20 th	Monday, 6:00 p.m. Regular Work Session	Council Deliberations
Feb. 21 st	Tuesday, 7:00 p.m. Council Meeting	Public Hearing 2017 CIP Adoption